

The too-big-to-fail debate after 2023

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The takeover of Credit Suisse by UBS created a bank whose balance sheet is roughly twice the gross domestic product of Switzerland and whose failure would exceed the capacity of the Swiss state to rescue it. The question of how to make such a bank safe, or how to resolve it without public money if it fails, became the central question of Swiss financial policy after 2023.

In April 2024, the Federal Council published a report on banking stability, which proposed stronger capital requirements for systemically important banks, in particular for their foreign subsidiaries. It also proposed better liquidity provision by the National Bank in a crisis, including a public liquidity backstop anchored in law, stronger supervisory powers for FINMA, including the power to impose fines, a regime of individual accountability for senior managers and improvements to the resolution regime.¹ In June 2025, the Federal Council presented specific proposals, of which the most controversial required UBS to back its foreign subsidiaries fully with capital at the level of the Swiss parent bank, which would increase its capital requirements by an estimated twenty-six billion dollars.²

UBS opposed the proposals, arguing that they would put it at a disadvantage against its international competitors, and was reported to consider options including a relocation of its headquarters abroad. The debate raised fundamental questions for the Swiss financial centre: whether Switzerland can afford to host a global bank of this size, whether the bank's contribution to the Swiss economy justifies the risk, and how much capital is needed to protect the taxpayer. The outcome of the parliamentary process, which was still under way when this book was written, will shape the future of the Swiss banking model. Part K examines scenarios for this future.

For Basel, the debate has a particular resonance. UBS AG retains a legal seat in Basel, the city where the Swiss Bank Corporation grew from the consortium of 1854. The Bank for International Settlements, whose Basel Committee sets the international capital standards that Switzerland implements, is located a few hundred metres from the former head office of the Swiss Bank Corporation. The question of how much capital a bank needs, which the Basel Committee has studied for half a century, has become in Switzerland a question of national politics.

1 Notes

1. On the report of the Federal Council on banking stability of 10 April 2024 and its proposals (capital requirements for foreign participations, public liquidity backstop, FINMA powers, senior managers regime), see the publications of the Federal Department of Finance. To be verified. ↩
2. On the proposals of the Federal Council of 6 June 2025 on capital requirements for UBS (full capital backing of foreign participations, estimated additional CET1 capital of about USD 26 billion) and the subsequent consultation and parliamentary process, see the publications of the Federal Department of Finance and UBS. Status to be verified. ↩

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